

Top Secret 233

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday January 19, 1977

CG NIDC 77-015C

NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

Top Secret

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National Intelligence Daily Cable for Wednesday, January 19, 1977.

[Redacted] The NID Cable is for the purpose of informing senior US officials.

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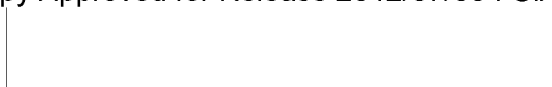
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EGYPT: Widespread Rioting

- 25X1 [] After violent demonstrations yesterday over price rises resulting from austerity measures imposed on Monday, Egyptian officials announced last night that they are "ready to review" the measures. Although this may help to defuse popular discontent, rioting in Cairo and Alexandria has been so widespread that only a reversal of the measures and much stronger police action are likely to restore order.
- 25X1 [] The Interior Ministry issued a statement last night after demonstrations had died down threatening to use force to quell future disturbances.
- 25X1 [] Faced with the need to reduce an enormous state budget deficit, Egypt announced on Monday that it would lower price subsidies on many consumer goods and impose much higher tariffs on others. Although a smaller deficit will reduce inflationary pressures in the longer term, the immediate impact of austerity measures has been sharply higher retail prices on many goods.
- 25X1 [] //Proposed curbs on military spending as an alternative to civilian austerity are believed to have been successfully resisted by the defense establishment.//
- 25X1 [] The government's move came without warning and without any effort to ease the blow to consumers. No effort was made until last night to explain the need for further austerity. The government also has not emphasized that the budget calls for increases in salaries and cost-of-living allowances.
- 25X1 [] There is in fact some reason to believe that the government deliberately moved too forcefully and rapidly in order to demonstrate to the International Monetary Fund, which has been urging reductions in price subsidies, that such reductions are politically infeasible.
- 25X1 [] There seems little economic or political justification for the sudden subsidy reductions unless the government wanted to impress the dangers of the move on IMF officials, who are currently in Cairo. President Sadat and Prime Minister Salim have until now resisted IMF demands even for gradual imposition of economic reforms lest this increase popular dissatisfaction.

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[REDACTED] Whatever the government's motivation, the intensity and spontaneity of the riots were undoubtedly a surprise. Despite threats of forceful police action, more demonstrations are likely unless the austerity measures are quickly rescinded. Continued chaos could threaten even President Sadat's position.

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[REDACTED] The demonstrations, made up primarily of thousands of workers and students, apparently began relatively peacefully yesterday morning in Cairo, Alexandria, and Hulwan, an industrial town south of Cairo. By afternoon, however, demonstrators had begun burning vehicles, looting and attacking stores and buildings, and throwing rocks at police.

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[REDACTED] Large numbers of police in Alexandria were reported injured by rock-throwing rioters, and six policemen there are reported to have been killed.

[REDACTED] Vice President Mubarak's summer residence in Alexandria reportedly was sacked and burned, as were several police stations in Cairo and Alexandria. Posters of Sadat were torn down and burned by demonstrators chanting slogans calling for his downfall. Cairo police indicated at one point last night that there were continuing demonstrations in "all the streets."

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[REDACTED] Although the government has claimed that leftist agitators provoked the demonstrations, the US consulate in Alexandria reports that the demonstrators seemed to have little organization or leadership. The same was apparently true in Cairo, indicating an alarming degree of spontaneity and a widespread depth of feeling over economic grievances, which had been growing before the austerity measures were imposed.

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[REDACTED] In this atmosphere, political activists should have little difficulty stirring up further trouble. Leftist agitators, who have long tried to play on economic grievances, will now try to feed on the existing demonstrations to maintain the momentum of the riots.

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[REDACTED] Egyptian officials have taken some steps to cool the situation. University and high school classes have been suspended for today and tomorrow. Officials have been worried for some weeks that student demonstrations would erupt in January--traditionally a period of student turmoil in Egypt--and it is

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likely that schools will remain closed beyond this week. Public transportation has been stopped between many key cities to prevent movement of demonstrators.

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SYRIA: New Flexibility

Syrian President Asad, whose interview in *Time* magazine this week indicated a new public flexibility on Palestinian participation in peace negotiations, was even more forceful in his private remarks, according to *Time* correspondent Wilton Wynn.

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In his interview, Asad said that refusal by the Palestine Liberation Organization to attend the Geneva conference would not "cause paralysis" among the other concerned Arabs. Wynn says Asad was more vehement in private in declaring his determination to prevent the Palestinians from blocking progress toward a settlement.

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Indicating some impatience with the PLO's inability to devise a clear-cut policy on either negotiations or future Palestinian statehood, Asad said he favors establishment of an independent Palestinian state in the West Bank and Gaza "as long as the Palestinians want it." Asad's published and private remarks are a marked departure from his position of a year ago, when he demanded that any Arab-Israeli territorial negotiations must involve the PLO.

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The Syrian President's willingness now to negotiate without the PLO if need be--and his willingness to put the organization on public notice that he will not wait long for it to accept negotiations--are an indication of the increased confidence he feels after the Lebanon intervention and Palestinian setbacks last year.

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A further indication of Asad's flexibility came in another Wynn interview, not yet published, with Zuhayr Muhsin, leader of the Syrian-controlled Saiqa fedayeen organization. Muhsin said that it might be possible, in order to end the current impasse over PLO participation at Geneva, to hold the conference without the PLO.

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[] The Arab states and Israel could negotiate at Geneva, Muhsin reportedly said, and at a later stage the PLO could discuss its "status"--presumably meaning independent statehood or a linkage with Jordan--directly with the Arab states.

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[] Mushin's position is likely to be totally unacceptable to PLO leader Yasir Arafat and to the remainder of the PLO. Muhsin's views, however, are close to Asad's, and his position provides an indication of the line Asad is trying to press and the lengths he is willing to go to indicate his impatience with the PLO.

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[] Egyptian President Sadat, who recently has been attempting to force concessions on the PLO, still publicly insists, without qualifications, that the PLO must attend the Geneva conference and must gain independent statehood. Sadat and Asad are probably not far apart, however, in their positions on the Palestinian issue. Except for minor tactical differences, Asad's public remarks express Sadat's private desires, and Asad's move in going public will make it easier for Sadat to pursue his efforts to bring the PLO to a more accommodating position. []

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USSR-US: Arms Control

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[] Soviet General Secretary Brezhnev called yesterday for progress on arms control issues between the US and USSR. The Soviet leadership also has apparently instructed Soviet news media to present favorably the appointments by President-elect Carter in the field of national security.

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[] In his speech at Tula, Brezhnev called for the completion of a SALT II accord "in the nearest future." He said the USSR is also prepared to conduct "businesslike talks" on the Nonproliferation Treaty and mutual force reductions in Central Europe. Brezhnev noted that discussions on the latter could be held "at any level and at any venue: in Vienna, in Bonn, in Washington, in Moscow--anywhere."

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[] The Soviet leader also termed allegations of Soviet efforts to reach military superiority as "absurd and totally unfounded." "We are bored," he said, "by this jabbering." Soviet domestic media have hitherto ignored the fact that a central issue in the US debate on arms control is whether Moscow is trying to achieve military superiority.

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[redacted] Soviet commentary also has failed to acknowledge that the Soviet civil defense program is at issue in the debate, although Brezhnev stressed that the Soviets will continue to "perfect their defenses" and "never sacrifice the security of their country."

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[redacted] Meanwhile, Soviet analysts are becoming less reticent and more positive in evaluating the new administration's cabinet. Last week, for example, a deputy director of the USA Institute gave high marks to nearly every Carter appointment.

--Harold Brown was described as a dove in disarmament who has called for "radical steps" in that field.

--Cyrus Vance was said to favor arms limits and better Soviet-US relations.

--Michael Blumenthal was noted for favoring increased foreign trade.

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[redacted] Public lecturers also have characterized the Carter appointees along these lines. These open remarks point to a private sounding of President-elect Carter's position on detente, particularly in the area of arms control. The Soviets presumably expect that it will take several months before the new administration can move on comprehensive bilateral issues, but in the meantime will present their own intentions in the best possible light in order to gauge the responses of their counterparts. [redacted]

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INDIA: Election Scheduled

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[redacted] Prime Minister Gandhi's decision to schedule a national election in India this March is a reflection of the growing confidence she has in her political position.

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[redacted] The election of the lower house of parliament was to have taken place last March, but was postponed after the Prime Minister decreed a state of national emergency the previous June.

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[redacted] Since last fall, Gandhi has strengthened her political position in a number of ways. She has made progress in



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securing control of politics in the 22 states. Compliant governments have been installed in the troublesome states of Gujarat and Orissa in the past month.

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[REDACTED] Tamil Nadu, on the other hand, remains under direct rule from New Delhi because the main opposition party there is probably still stronger than the Prime Minister's Congress Party. In West Bengal, the Congress Party is in power, but the chief minister and a significant part of the party organization is at odds with Gandhi, who so far has been unable to find a convenient way to oust the chief minister.

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[REDACTED] Gandhi has had considerable success in intimidating the opposition. The recent release from prison of many opposition politicians reflects an attempt to give the election an appearance of fairness. Her opponents are aware that, should they seem likely to cause her significant difficulties, she could crack down again.

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[REDACTED] The Prime Minister's son Sanjay has increased his political following and, as the result of extensive touring, is now a nationally known figure. The Gandhis appear to have defeated efforts by pro-Soviet Communists and Congress Party leftists to limit the growth of Sanjay's influence.

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EAST GERMANY: Emigration Restriction

25X1 [] West German officials are becoming deeply concerned over East Germany's apparent implementation of stricter emigration restrictions affecting the sensitive issue of divided families.

[] the East German government has for some months been giving harsh treatment to new emigration applicants. Although no clear pattern has emerged as yet, some East Germans have reported that their applications were being rejected out of hand, sometimes even in cases where the application was based on family reunification rather than the Helsinki accords.

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25X1 [] Local authorities have threatened applicants with prison sentences and, in several cases, with having their children taken away from them if they continued to apply for exit permits.

25X1 [] A more serious problem for West German policymakers may be the increasing numbers of West German and West Berlin citizens who have been refused entry into East Germany in recent weeks. Most cases involved visitors with friends or relatives in East Germany who had applied to leave the country. Some West German applicants were being denied visas outright, others were being turned back at the border even though they had valid visas, and some had been ordered to leave after having been granted admission.

25X1 [] The West Germans noted that these new restrictions would probably not show up in the overall East German emigration statistics. The West Germans added that East Germany could tighten its internal controls considerably and still come to the Belgrade security follow-up conference this June with its overall statistics showing no decline from 1976 to 1977.

25X1 [] The East Germans, meanwhile, continue to carry out spot checks of people leaving the West German mission in East Berlin but have not blocked the entry of any East German visitor as they did on January 11.

25X1 [] The West Germans have observed that there have been no first-time visitors among the approximately 65 East German

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citizens who have come to the mission in each of the past few days. It was thus too early to tell whether significant numbers of potential applicants for emigration would be frightened off by the latest harassing tactics.

[REDACTED]

YUGOSLAVIA: Bijedic Dies

[REDACTED] The death of Premier Bijedic in an airplane crash yesterday will intensify infighting and presuccession maneuvering in Yugoslavia.

[REDACTED] Bijedic was the highest ranking cabinet representative of the influential Muslim minority. As head of government, he played an important economic role, particularly in selling the regime's cautious fiscal policies to republic leaders who want a more expansionary program. Although a member of the Presidium, he was not a major power in party politics.

[REDACTED] Failure to find a suitable replacement soon would invite speculation about instability and indecision on economic policy. President Tito, however, is on a tour of the Middle East and the final decision may have to await his return some time next week.

[REDACTED] Bijedic was slated to be replaced sometime this year. According to most reports, Foreign Minister Milos Minic was to take his place. Minic is a Serb, and if Tito does pick him there will be pressure to find another top job for a Muslim. One possibility is the defense portfolio, which General Ljubetic reportedly is relinquishing.

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[REDACTED] The premiership is not a good platform for advancing a party career, so Minic may not actively seek the job. He may not have a choice, however, if Tito is determined to put a trusted personal friend in that post.

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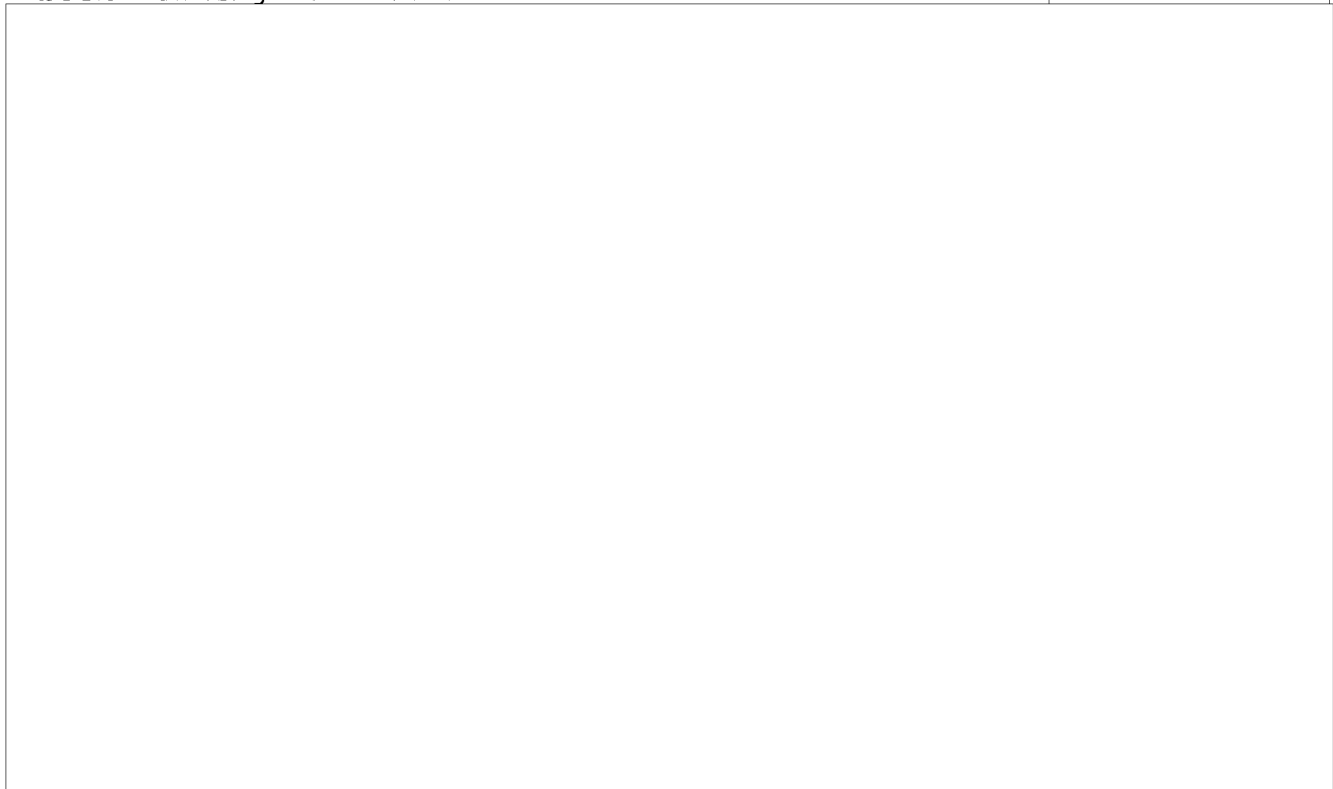
[REDACTED] Minic's elevation also would affect the political fortunes of Stane Dolanc, the number-two man in the party and a putative rival to Minic. Their enmity stems primarily from Dolanc's ambition to succeed Tito as head of the party and from his belief that Minic has too much direct influence with the President. Dolanc might have mixed feelings about Minic in the premiership but, like Minic, he would be powerless to oppose Tito's will.

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[REDACTED] Dolanc, however, would try to influence the selection of a new foreign minister because he has a vital stake in establishing his authority in foreign policy. He reportedly has been working hard toward this end since last summer. [REDACTED]

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